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Probe Told CIA Funds Go Through Foundation

Patman Reveals Secret Arrangements In Study of Tax-Exempt Organization

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The Central Intelligence Agency secretly has channeled cloak-and-dagger funds through a tax-exempt foundation in New York, House investigators disclosed today.

Representative Patman, Democrat of Texas, put the story on the record at a hearing of a House Small Business subcommittee on the J. M. Kaplan Fund of New York.

The Kaplan Fund is under investigation by the subcommittee and the Internal Revenue Service because of allegations that it has abused its tax-exempt status to engage in stock speculation and other business activities.

Bertrand M. Harding, acting Commissioner of IRS, and Mitchell Rogovin, his assistant, acknowledged existence of the CIA role in their testimony.

Closed Session Called

They begged off from giving details in public, and Mr. Patman, chairman of the subcommittee, scheduled a closed meeting for later today.

Mr. Patman recalled that Mr. Rogovin requested a private consultation with him during an August 10 hearing on the Kaplan Fund.

During this conversation, Mr. Patman said, Mr. Rogovin told him the Kaplan Fund was "a conduit for channeling CIA funds."

According to Mr. Patman, Mr. Rogovin indicated that this arrangement was the reason for the slowness of IRS action on recommendations to revoke the Kaplan Fund's tax exemption.

Since the August 10 hearing, Mr. Patman said, a CIA representative named George Cary

has been in touch with him. He said Mr. Cary reported that CIA used the Kaplan Fund as a conduit for money from 1959 until some time this year.

But Mr. Patman complained that Mr. Cary failed to supply specific information he had requested.

"I feel like I've been trifled with," Mr. Patman said, explaining why he felt no obligation to keep the information secret.

He said he suspects the "alleged information" was given to him to stop the investigation.

Mr. Harding said he had no personal knowledge of the CIA activities with the Kaplan Fund, and identified Mr. Rogovin as the IRS liaison man with the intelligence agency.

Other Arrangements Hinted

Mr. Rogovin said he had discussed the Kaplan Fund with a CIA representative named Milan Miskovsky, and implied that the CIA has several such arrangements with tax-exempt foundations.

Mr. Rogovin said he had no information about the amount of CIA money channeled through

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the Kaplan Fund or the purpose of these activities.

He said the CIA did not consult IRS about the arrangement with the Kaplan Fund. The intelligence agency contacted IRS late in 1961 when the CIA learned that the IRS district office in lower Manhattan was auditing the fund, Mr. Rogovin testified.

He said the CIA expressed concern that its interest in the fund might be made public, and that the CIA activities might jeopardize the fund's tax status.

Decision Unaffected

Mr. Rogovin emphasized that the CIA's interest in the fund would not affect the IRS decision on its tax status, but indicated that action has been delayed because it is a "sensitive" matter.

Mr. Patman asked how the Kaplan Fund's services for CIA would affect its tax status prior to the arrangement, and Mr. Rogovin agreed that it should have no effect.

The subcommittee chairman

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also wondered aloud why CIA had chosen the Kaplan Fund as a conduit for money, when the fund was in trouble with IRS.

Mr. Patman showed the IRS officials Kaplan Fund tax returns for 1961 through 1963, to bring out the fact that there was no reference to CIA money.

Revocation Proposed

An IRS district director in Manhattan had recommended retroactive revocation of the Kaplan Fund's tax exemption in 1957, and the recommendation was upheld by this director's successor in 1958. Retroactive revocation raised the possibility of tax assessments for prior years.

But a third district director recommended in 1960 that the fund's tax exemption be retained.

Internal Revenue is continuing to investigate the Kaplan Fund.

Mr. Harding said he thought it would be improper to discuss the substance of the case while this investigation is in progress.